MONETARY POLICY STATEMENT

PRESS CONFERENCE

Christine Lagarde, President of the ECB,
Luis de Guindos, Vice-President of the ECB

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Jump to the transcript of the questions and answers

Good afternoon, the Vice-President and I welcome you to our press conference.

The inflation outlook continues to be too high for too long. In light of the ongoing high inflation pressures, the Governing Council today decided to raise the three key ECB interest rates by 25 basis points. Overall, the incoming information broadly supports the assessment of the medium-term inflation outlook that we formed at our previous meeting. Headline inflation has declined over recent months, but underlying price pressures remain strong. At the same time, our past rate increases are being transmitted forcefully to euro area financing and monetary conditions, while the lags and strength of transmission to the real economy remain uncertain.

Our future decisions will ensure that the policy rates will be brought to levels sufficiently restrictive to achieve a timely return of inflation to our two per cent medium-term target and will be kept at those levels for as long as necessary. We will continue to follow a data-dependent approach to determining the appropriate level and duration of restriction. In particular, our policy rate decisions will continue to be based on our assessment of the inflation outlook in light of the incoming economic and financial data, the dynamics of underlying inflation, and the strength of monetary policy transmission.

The key ECB interest rates remain our primary tool for setting the monetary policy stance. In parallel, we will keep reducing the Eurosystem's asset purchase programme (APP) portfolio at a measured and predictable pace. In line with these principles, the Governing Council expects to discontinue the reinvestments under the APP as of July 2023.

The decisions taken today are set out in a press release available on our website.

I will now outline in more detail how we see the economy and inflation developing and will then explain our assessment of financial and monetary conditions.

Economic activity

The euro area economy grew by 0.1 per cent in the first quarter of 2023, according to Eurostat's preliminary flash estimate. Lower energy prices, the easing of supply bottlenecks and fiscal policy support for firms and households have contributed to the resilience of the economy. At the same time, private domestic demand, especially consumption, is likely to have remained weak.

Business and consumer confidence have recovered steadily in recent months but remain weaker than before Russia's unjustified war against Ukraine and its people. We see a divergence across sectors of the economy. The manufacturing sector is working through a backlog of orders, but its prospects are worsening. The services sector is growing more strongly, especially owing to the reopening of the economy.

Household incomes are benefiting from the strength of the labour market, with the unemployment rate falling to a new historical low of 6.5 per cent in March. Employment has continued to grow and total hours worked exceed pre-pandemic levels. At the same time, the average number of hours worked remains somewhat below its pre-pandemic level and its recovery has stalled since mid-2022.

As the energy crisis fades, governments should roll back the related support measures promptly and in a concerted manner to avoid driving up medium-term inflationary pressures, which would call for a stronger monetary policy response. Fiscal policies should be oriented towards making our economy more productive and gradually bringing down high public debt. Policies to enhance the euro area's supply capacity, especially in the energy sector, can also help reduce price pressures in the medium term. In this regard, we welcome the publication of the European Commission's legislative proposals for the reform of the EU's economic governance framework, which should be concluded soon.

Inflation

According to Eurostat's flash estimate, inflation was 7.0 per cent in April, after having dropped from 8.5 per cent in February to 6.9 per cent in March. While base effects led to some increase in energy price inflation, from -0.9 per cent in March to 2.5 per cent in April, the rate stands far below those recorded after the start of Russia's war against Ukraine. Food price inflation remains elevated, however, standing at 13.6 per cent in April, after 15.5 per cent in March.

Price pressures remain strong. Inflation excluding energy and food was 5.6 per cent in April, having edged down slightly compared with March to return to its February level. Non-energy industrial goods inflation fell to 6.2 per cent in April, from 6.6 per cent in March, when it declined for the first time in several months. But services inflation increased to 5.2 per cent in April, from 5.1 per cent in March. Inflation is still being pushed up by the gradual pass-through of past energy cost increases and supply bottlenecks. In services, especially, it is still being pushed higher also by pent-up demand from the reopening of the economy and by rising wages. The information available up to March suggests that indicators of underlying inflation remain high.

Wage pressures have strengthened further as employees, in a context of a robust labour market, recoup some of the purchasing power they have lost as a result of high inflation. Moreover, in some sectors firms have been able to increase their profit margins on the back of mismatches between supply and demand and the uncertainty created by high and volatile inflation. Although most measures of longer-term inflation expectations currently stand at around two per cent, some indicators have edged up and warrant continued monitoring.

Risk assessment

Renewed financial market tensions, if persistent, would pose a downside risk to the outlook for growth as they could tighten broader credit conditions more strongly than expected and dampen confidence. Russia's war against Ukraine also continues to be a significant downside risk to the economy. However, the recent reversal of past adverse supply shocks, if sustained, could spur confidence and support higher growth than currently expected. The continued resilience of the labour market, by bolstering household confidence and spending, could also lead to higher growth than anticipated.

There are still significant upside risks to the inflation outlook. These include existing pipeline pressures that could send retail prices higher than expected in the near term. Moreover, Russia’s war against Ukraine could again push up the costs of energy and food. A lasting rise in inflation expectations above our target, or higher than anticipated increases in wages or profit margins, could also drive inflation higher, including over the medium term. Recent negotiated wage agreements have added to the upside risks to inflation, especially if profit margins remain high. The downside risks include renewed financial market tensions, which could bring inflation down faster than projected. Weaker demand, due for example to a more marked slowing of bank lending or a stronger transmission of monetary policy, would also lead to lower price pressures than currently anticipated, especially over the medium term.

Financial and monetary conditions

The euro area banking sector has proved resilient in the face of the financial market tensions that arose ahead of our last meeting. Our policy rate increases are being transmitted strongly to risk-free interest rates and to the financing conditions for firms, households and banks. For firms and households, loan growth has weakened owing to higher borrowing rates, tighter credit supply conditions and lower demand. Our latest bank lending survey reported a tightening of overall credit standards, which was stronger than banks had expected in the previous round and suggests that lending may weaken further. Weak lending has meant that money growth has also continued to decline.

Conclusion

Summing up, the inflation outlook continues to be too high for too long. In light of the ongoing high inflation pressures, the Governing Council today decided to raise the three key ECB interest rates by 25 basis points. Overall, the incoming information broadly supports the assessment of the medium-term inflation outlook that we formed at our previous meeting. Headline inflation has declined over recent months, but underlying price pressures remain strong. At the same time, our past rate increases are being transmitted forcefully to euro area financing and monetary conditions, while the lags and strength of transmission to the real economy remain uncertain.

Our future decisions will ensure that the policy rates will be brought to levels sufficiently restrictive to achieve a timely return of inflation to our two per cent medium-term target and will be kept at those levels for as long as necessary. We will continue to follow a data-dependent approach to determining the appropriate level and duration of restriction. In particular, our policy rate decisions will continue to be based on our assessment of the inflation outlook in light of the incoming economic and financial data, the dynamics of underlying inflation, and the strength of monetary policy transmission.

In any case, we stand ready to adjust all of our instruments within our mandate to ensure that inflation returns to our medium-term target and to preserve the smooth functioning of monetary policy transmission.

We are now ready to take your questions.

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My first question would be on the rationale behind the reduced pace in the interest rate hike of 25 basis points – why did you come up with that?

My second question goes to the US regional lender banking crisis, which isn't over yet. How concerned are you about potential spillover effects to the euro area?

Thank you for your question. I will take the first and ask my colleague and friend Vice-President Luis de Guindos to address the second one. So let me tell you a little bit about the mood in the room of the Governing Council. I would characterise the mood as determined – all governors are determined to fight inflation, tame inflation and return it to 2% over the medium term. And we all concluded, as you have seen, that the inflation outlook is too high and has been so for too long. I would say then that the mood was very focused and yet, it is an in-between-projections Governing Council meeting. But we were extremely attentive to all data that was available to us and obviously one case in point is the Bank Lending Survey that you all received or saw on Tuesday when it was published and which contains a lot of intelligence and information about the intention and the comparison between the lending practices and standards with what was expected by the banks. I'm happy to come back to that later, but it explains obviously the decision that we made for this 25 basis point increase.

I think in terms of method, we were method-dependent in many ways just as we are data-dependent, because we have articulated the reaction function of our monetary policy decisions, with the three key elements of the inflation outlook informed by the financial and economic data, the dynamics of underlying inflation and the strength of monetary policy transmission. So we checked all the data that we had against these three criteria. And as is always the case at the Governing Council meeting, there were a variety of views expressed and I think that it's fair to say that everybody agreed that increasing rates was necessary; that second, we are not pausing, that's very clear, and, third, we know that we have more ground to cover on the basis of the baseline that we had, which is still guiding us until we have our next projection exercise, and on the basis of the data that we have received in the course of the last few days and that we brought together during the meeting.

I think the ultimate balancing act, which received almost unanimous support and that is reflected in the monetary policy statement in front of you, was really predicated on the methods, the data we received, and the understanding that where we are is totally consistent with the baseline that we had for the outlook last time around. Remember, at the last March meeting that's what I said. And second, that underlying inflation is still high and third, informed by the bank lending survey and the data that we have concerning interest rates, which is a little bit outdated because it goes back to February, the transmission of our monetary policy is working at least [with regards] to the financing leg and we are not yet certain about the next leg, which is transmission from banks to the real economy. So it's on the basis of all that, that we made our decision. Now that we have increased rates significantly and sometimes by very large increments, establishing absolute credibility on our determination, it was sensible, in view of what I have told you, to return to a more standard increment, with the understanding that, based on the information we have today, we have more ground to cover and we are not pausing – that's extremely clear.

De Guindos: Turning to your second question, I think that we should start with a consideration: if you look at the characteristics of the US banks that are running into difficulties, I think that there are some common features. The first one is that they are medium-sized, regional, they share very concrete and very idiosyncratic business models, and they are quite open to interest rate risks – they are vulnerable to an increase in yields. And I think that this model, this situation is not extrapolatable to the European banking industry. I will not repeat what we have said many times – that European banks are resilient [because of] their levels of capital, levels of liquidity and quality of the liquid assets – but I think that simultaneously, we have to remember that an increase in interest rates, in yields, is positive for the European banks because the increase in margins outweighs the potential losses that this increase in yields could cause in fixed-income portfolios. But I think that it is quite clear that there is no space for complacency. One of the things that we – all of us – have been surprised about is how rapidly a bank run can take place and how rapidly a bank can be emptied. And I think that this is the combination of new factors. The first one is digital banking and the second one is social networks. The combination of both have even led to a new situation. I think that as supervisors and regulators we have to bear in mind this new framework because we believe that this is going to be key in the near future.

My first question is about whether anyone at the meeting insisted on a larger rate hike or on a clearer commitment to more hikes. You just hinted at that by talking about "ground to cover" but it wasn't quite as explicit as it was back in the winter when you were talking about "steady pace" and "several rate hikes".

My second question is about something you just said, which is again that you had "more ground to cover". Would you say that we are still in the middle of the journey or towards the end, in the home stretch?

I'm tempted to remind you of the Emerson quote, "it's not so much the destination that matters but the journey", and we are on a journey and we are not pausing. Under the present circumstances and based on what we have, which is the baseline of March, we know that we have more ground to cover. There is a clear reference in the second paragraph of the Monetary Policy Statement [in which] we explicitly refer to that by saying that our future decisions will ensure that the policy rates will be brought to levels sufficiently restrictive to achieve a timely return of inflation to our 2% medium term target and will be kept at those levels for as long as necessary. We covered a lot of ground in the last nine months [prior to today's meeting], moving from minus 50 basis points to plus 300 basis points. We are continuing this hiking process. As I said, this is a journey. We have not arrived yet.

As to the exact amount, by how much we increase rates, as I said in my introduction in the response to the first questions, there were a variety of views. Some governors suggested that maybe 50 [basis points] was appropriate, others believed that 25 was appropriate. I didn't hear anybody suggest that zero would be appropriate, which confirms to you that this is a hiking journey that we are on and it will continue to be so. But at the end of the deliberations and having had a chance to confront our views and answer the questions and really put everything in perspective, there was a general and very strong consensus behind the decision that you have in front of you.

I would like to invite you to elaborate a little bit more on your definition of "sufficiently restrictive". The IMF had a view the other day, seeing the terminal rate at 3.75%. A lot of economists believe that as well. Would that be something – given the inflation outlook we have at the moment – that would be in the ballpark of "sufficiently restrictive"?

The other question I have is that at the last meeting you had a little bit of a debate about over-tightening and having to reverse course. I'm wondering whether that discussion continued this time and whether you would actually be worried that such a scenario might be interpreted as a policy mistake.

I don't have a magic number of what constitutes "sufficiently restrictive". I think that the honest answer is that we will know what that is when we get there and we are in the process of moving into that direction. I think what's important is to understand what it means to have restrictive rates and to be in restrictive territory. I think the best example is to see whether the rate decisions that we make, the rate increases that we decide, are actually having an impact on the economic actors. And when we look at the Bank Lending Survey or when we look at the interest rates and the pace at which they have increased over the last few months, it is obviously the fact that interest rate decisions that we made and the interest rates level we are on are having an effect. Is it a sufficient effect yet? We don't know because we are not seeing the transmission at this point in time into what I call the second leg of the economy, which is the real activity, which then has an impact on prices and then reduces inflation. The full cycle we are not seeing yet. We are seeing inflation coming down, don't get me wrong, because headline is coming down as a result of energy prices having come down significantly, as a result of the easing of bottlenecks. But we are not yet seeing the complete impact that we desire in order to arrive at the 2% medium term that constitutes our target. We are very attentive, we look at that, as you know it's one of the three components that we look at, the inflation outlook. Is it restrictive? No question about it. Is it sufficiently restrictive? Not yet.

I have two questions. The first one is on the decision to accelerate the pace of shrinking the bond portfolio of the ECB. Does that mean, now that you're stopping all reinvestments in the APP, that you plan to reduce the APP to zero eventually?

The second question: was this decision part of a compromise deal to convince those arguing for a 50 basis point move to accept a 25 basis point move in return for accelerating the pace of shrinking your balance sheet?

Number one, we made the decision but the decision specifically says "we expect". So we expect to let the APP run down as time goes by. In answer to your question about whether we go to zero: if we do, then it's going to take [at least] the next 15 years, so I don't think I'll be around for that, I know I won't, and I'm not sure that you will be around either. But the ultimate perspective is that one, as we consider things today. We've decided to expect the effectiveness of the decision as of July, saving a little bit of optionality just in case, simply because we have seen that the partial reinvestment that has been effective since March has actually run very smoothly and has been well-absorbed by markets. We don't see any point in not accelerating the move because there are valid reasons for [doing] that: it lowers the amount of excess liquidity, complements our policy rate, reduces the side effect of a large balance sheet – all of that completely justifies the fact that the APP is let to run down gradually over the course of time, which will be an average of 25 billion per month that will not be reinvested, roughly. But as I said, running the whole APP programme to zero will take [longer than] 12-15 years, given the maturities we have.

I would just reserve one thing, because we discussed it during the Governing Council and it's not reflected in the Monetary Policy Statement. As you know, we have adopted a tilting approach to our reinvestment policy of the APP and in particular for the corporate bonds, which are the prime targets of that tilting, in order to privilege those corporates that have a good environmental footprint, that have a transition plan and that disclose all the appropriate information about their plans. Of course if we go to full run-down, that tilting process is not going to be applicable because there will be nothing to tilt it off, there will be no basis for that. The jury is out as to how we can continue to deliver on our Paris agreement compliant investment and reinvestment programme without the reinvestment phase and how we address that, which is something that we agreed we would take into account and consider to see how we respond to that.

Was it a deal? No. There was a general view that that was the right move, completely sensible, legitimate at this point in time given the market absorption. Some might have preferred to wait until the June meeting to announce it, given that it’s effective as of 1 of July. But with the principle of predictability that we had agreed in the first place, we thought it was just better off to just announce it with reserving a little optionality on the side.

About the last banking lending survey, is there a target for bank lending or limits in credit tightening or do you monitor these indicators?

Second question: you said recently in relation to bank failures on the Credit Suisse case that you really need to measure what comes out of these financial events. What are the indicators that you’re looking at? Would you say that there is a banking crisis? What’s your view of what’s happening there in the banking system?

We know of one and only one target and this is our medium-term target of 2%. That’s what is riveting our attention. But of course the Bank Lending Survey that we receive on a quarterly basis informs us about the tightening of credit to the economy, and it also informs us about what the banks assess will be or will not be the tightening. It’s quite a sophisticated survey which is really for information, intelligence, anticipation of the credit tightening now and the credit tightening going forward. It’s also illustrative of the demand and that’s an interesting point because in the Bank Lending Survey, the demand from corporates is really, really down. So that’s a learning we take, which indicates that our interest rate policy is beginning to have an impact, because, when asked, the corporates – and we had a corporate survey conducted – say “it’s the interest rates, it’s not that we don’t want to invest but the interest rates are pretty high”. And that [brings us back to the question of] restrictive territory or not: yes, we are in restrictive territory because if that is the response of corporates, then it shows that [our policy] has worked.

On Credit Suisse, number one, it was addressed very swiftly. The Swiss authorities maybe did not have many choices and it was very specific and probably a long-lasting issue that was lingering and had been lingering for a long time. I certainly would not draw the conclusion that the merger between UBS and Credit Suisse to be decided is an indication that there is a financial crisis, far from it. But we are learning. I think that we also learnt the value of having rules and the ability we had to come out very quickly on the pecking order of creditors actually mattered a lot and I think we can also take a bit of learning from that. When creditors and investors know exactly who is going to bear the brunt of outstanding liabilities in a situation of insolvency, it just helps. And we did that, I’m glad we did.

De Guindos: On the question about the indicators that we consider, that we look at: we have a range of indicators, for instance equity prices, bank bond spreads, the evolution of deposits. We have not seen the kind of situations that happened in other jurisdictions. We had an increase in tensions after the events in the US with Silicon Valley Bank and Credit Suisse. Afterwards, the situation has been quite calm. We are continuously looking at those indicators but, clearly, now the conclusion is that the European banking industry has been clearly outperforming the American one in terms of the tension [reflected] in these kinds of indicators and potential stress in financial markets.

Can you explain how you reconcile your data dependency with the pledge of doing more in the future? It can be a little bit contradictory, like forward guidance without the forward guidance. Maybe you can explain it a little bit more.

Secondly, on core inflation, no doubt it is important to monitor core inflation, but the ECB's target, as you have said just now, is headline inflation at 2% in the medium term. So how do you explain such a great emphasis on core inflation, also considering that core inflation has not been a good leading indicator for headline inflation in the past?

Data dependency is not forward guidance, and I'll try to explain that to you for a second. I'm not giving you the forward guidance that "come what may" or "subject to" or "until such time we will do this or that." That for me would be forward guidance. We had it in the past and it was very appropriate to have forward guidance as we were at the lower bound, and that was a tool that was very useful. What I'm telling you now is given our baseline, the findings that we have, the data that we can analyse today, our judgement in the room is that we are not pausing, that applies to today, based on what we see we determine that we have more ground to cover. I'm not saying that in the abstract, I'm saying that with reference to the baseline of March, to what we are seeing in development and I'm here saying we believe that we have more ground to cover. It is not state-dependent, it is not time-dependent, it is a judgement that we make today. So I hope I have been clear to try to explain to you how we can actually say that very firmly without giving forward guidance and being data-dependent. Come the June meeting, come the July meeting, come the September meeting and so on and so forth, we will look at the data and we will use the three criteria of our reaction function for monetary policy purposes and we will make our decision on a meeting-by-meeting basis.

You've also asked me another question about core [inflation]. We had long discussions about core [inflation], and we actually had many more discussions on underlying inflation, because core is interesting, core is easy to communicate. You take headline, the whole basket of everything that's in the index, you take out food, you take out anything having to do with energy and you have core. But we want to go a little bit deeper into the index and the evolution that we see and we have multiple measurements that you are familiar with, you know the trimmed mean, the PCCI [Persistent and Common Component of Inflation], the PCCI excluding energy and so on and so forth. We look at all of those and we try to understand from the evolution that we see what is the likelihood of inflation evolution. So, I'm not maybe addressing your core versus headline question but I'm simply saying that headline is the objective that we have, it's the target that we have, that we've agreed in our strategy review. It happens to be what matters to people. People see all prices increasing and we are working for the people of Europe. Core, easy to communicate but maybe not as informative as we want it to be, so that leads us to dissect, in far more details, inflation.

Madame Lagarde. I'm sure many people will be interested to know whether the worst of inflation is over for food. Do you have that impression?

Thank you for that question because it is food prices that are hurting most, particularly the most vulnerable people. We know that because in the basket of consumption the most vulnerable spend a lot more on food than those who are well-off. So we pay special attention of course to food and the increase in prices. We have seen it go down, if you compare March and April numbers it is going down, but we have to be extremely attentive because there are multiple factors that apply to food prices, that apply to processed food prices. I think we have also flagged the fact that profits last year and particularly in 2022 have contributed to inflation. This year, 2023, what we have seen of 2023, we see more wage increases contributing to inflation. We would hope that through a good social contract, these drivers of inflation do not activate each other in what I have called in other places a tit-for-tat – I want more wages, I'm not going to give up on profits – and you are then at risk of something that is much more difficult and would lead us to have to take more active measures in monetary policy. So, I wish I could tell you "of course it will continue to go down" but I'm observing that it has gone down. There are other factors that will come into play, you know, clearly climate change is something that will have an impact probably on a sectoral basis, probably in relation to certain food items. What happens in Ukraine is also going to bring another uncertainty in the background of cereal price in particular, but commodity prices have gone down, that is a fact. So hopefully it will channel to the ultimate consumer.

Can the ECB continue hiking if the Federal Reserve stops, is that a baseline scenario you are working on?

And second question, do you have any estimates on how much tightening the QT and the TLTRO maturity is adding to the monetary policy stance? Can you perhaps phrase it in hiking or basis points of hikes?

You know I've heard the fiscal dependency, I've heard the finance dependency, I had not heard the Fed dependency. The ECB is an independent central bank, looks at what others do around the world, from New Zealand, which has been an interesting innovator in the field of monetary policy, all the way to the Fed and others. And it's obvious that the US economy, in whichever way it evolves, has spillover effects around the world given its size, the depth of its financial markets. But you know we have a target, we have a journey, we know as of today that we have more ground to cover and whatever the decision of the Fed is in the next few weeks, months, we are going to be riveted to our objective and will of course take into account variables. You know the currency for instance has an impact, any spillovers will be taken into account, but we are not Fed-dependent in that respect.

As to the actual tightening impact that the APP run-off has, I don't want to commit a number, but it does not have a massive impact suffice to say, but we can give you separately the exact amount that has been calculated, but it's not material.

You have repeated that the journey continues and you are not pausing. There are many households in Finland, Lithuania, Spain that struggle with the much higher interest rates and have had to cut down on their spending, so how do you take them into account when hiking interest rates?

And then a second one, what should they prepare themselves for, what can you say to them about the future, when can we see the policy rates going down, and maybe affecting also the 12 month Euribor? Thank you.

So, of course we are aware of these households that have contracted loans with floating rates, variable rates, whatever you call it, and from Finland to Portugal, from some of the Baltic countries to Spain, it is the case that some families are hurting because the reimbursements that they have to honour have gone up as a result of the interest rate increases that we had to decide. This is unfortunately not something that we can alleviate or attenuate because our task is price stability, our task is to reduce inflation and the tools of choice that work in that respect is the interest rates and we have to use that interest rate. Some countries are taking particular steps and measures and some financial institutions are also looking at offering moratoria or delays. I think that the best we can do is to really tame inflation in a timely manner, meaning as fast as we can, in order to then facilitate a return to different interest rates that would not be as high in the future. And I'm not here making any commitment to cut at any point in time, thank you very much.

You will travel next week to Japan for the G7 meeting. What kind of topics do you want to bring at this upcoming meeting from a European point of view?

Thank you for giving us that angle from the East. You know I would hope that, together with my European colleagues, we can, one, learn from colleagues, particularly Japan, which is moving into a new direction with a new governor. So anything that will be the Japanese monetary policy going forward and any understanding that we have of their strategy review, which he has announced, will be of interest. I would be very happy to share with him the learnings from our strategy review which I had started when I took the job. I would also hope that we can explain to colleagues from Canada, Japan and the United States that the Europeans together are going to continue to demonstrate resilience, capacity to operate together. And I would hope that in that respect something that we say in the statement here will resonate, which is to agree on the fiscal governance in short order, so that in addition to having a monetary policy that is common to 20 countries, we also have a fiscal framework which gives governance to the 27 member states. And that fiscal policies that are determined by member states are also focused on value for money, for lack of a better word, in other words putting in place the right reforms, focusing the spending where it is going to increase the competitiveness and the efficiency of the economy which is something that is absolutely indispensable in order to have this social contract which is often associated with Europe.

If I may go back to quantitative tightening, just to understand whether there is more ground to cover on QT or whether with this end of reinvestments on APP this is the end of QT? There could be more to be done with PEPP for example, starting on pandemic or selling bonds to make it even quicker, so this also helps to understand how important QT is as a restrictive monetary policy tool.

And my second question, if I may, is on TLTROs, because even if the European banking system is solid and resilient and the banking crisis from the US could be over, we hope, still our TLTROs are going to end in an odd moment. Are you concerned or are you confident the banks can give back 500 billion in June and get away with it?

On QT let me be very clear, QT is the decision that we expect to implement as of 1 July concerns APP reinvestments only and nothing else. We have forward guidance on PEPP reinvestment, nothing until 2024. You will find, I think in the annex to my statement, a reference to the PEPP and to the principle of flexibility, which we believe is an important key aspect of PEPP going forward. So those tools are intact, we are not planning on not reinvesting anything that comes for redemption under the PEPP agreement.

On TLTRO, there is no surprise about TLTRO. If anything, we have managed to offer the possibility for banks to accelerate and anticipate the reimbursement, which I think has avoided a cliff effect, that we would have had, over a trillion euros would have become outstanding in June. Thanks to the accelerated reimbursement we are now down to 477 billion, I'm checking the numbers because I want to be clear on that. So it's not a surprise, it's a come due date and reimbursements are due and I know that banks have prepared for it and that there is a lot of liquidity out there to continue to prepare. Having said that, you know it wouldn't surprise me if some of the facilities that we have that are standing facilities – liquidity windows that are available, full allotment and rates that are well-known to all – would be used again, because that's a perfectly normal job of a central bank to actually provide liquidity. You know we have weekly, we have the LTRO, three months, full allotment on all those liquidity facilities and if anything was to happen we have demonstrated in the past that we can be inventive.

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CONTACT

European Central Bank

Directorate General Communications

- Sonnemannstrasse 20
- 60314 Frankfurt am Main, Germany
- +49 69 1344 7455
- media@ecb.europa.eu

Media contacts